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## WORLD-POLITICS,

LONDON: PARIS: WASHINGTON.

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LONDON, *May, 1909.*

SPECULATION has been on edge for some time to see how the Chancellor of the Exchequer would surmount the financial difficulties of his problem. That there would be a deficit and a heavy one every one knew. The increase in the Navy Estimates, the cost of financing the Old-Age Pensions scheme, and a year of commercial depression had combined to make it inevitable that expenditure should have outrun receipts and that new taxes would have to be imposed. Writing in the March number of this REVIEW I observed: "No one can yet say definitely how much the Chancellor of the Exchequer will be obliged to raise by fresh taxation if he means to pay his way; but \$75,000,000 does not appear to be an extravagant estimate." The figure mentioned has turned out to be the precise figure of the deficit. Mr. Lloyd George made a welcome innovation by circulating before the introduction of the Budget a memorandum setting forth the revenue and expenditure for 1908-09 and the estimated revenue and expenditure for 1909-10 on the existing basis of taxation. The memorandum showed that the year 1908-09, instead of yielding a surplus, had produced a small deficit of some \$3,500,000—a deficit that would have been much larger but for heavy clearances from bond in the last quarter of the year to avoid the new taxes. For the ensuing year the revenue, on the existing basis of taxation, was estimated at \$15,000,000 less than in 1908-09, and the expenditure at \$60,000,000 more. But while Mr. Lloyd George's anticipatory memorandum showed that he would thus have to meet a deficit of \$75,000,000, it did not show how he would meet it. The secret, of course, was not disclosed until the Budget speech. Everybody sympathized with Mr. Lloyd George's

position. It was his first Budget. It was also the first time since they came into office in 1906 that the Liberals have been confronted with a deficit. In the first three years of their administration they paid off debt to the extent of over \$200,000,000; they halved the sugar tax, repealed the coal duty, halved the increase of the tea duty, reduced the income tax on the smaller earned incomes by threepence in the pound, and lightened the annual burden of taxation by some \$35,000,000. Now, however, they were face to face with the results of remissions that may perhaps have been premature and injudicious and of expenditures on Old-Age Pensions that they had piled up with no sparing hand. Within the limits of the cardinal Free-Trade doctrine of a tariff for revenue only, they had somehow or other to squeeze \$75,000,000 out of the pockets of the people. The Tariff Reformers, I need hardly say, watched their dilemma without any great solicitude, reckoning that Mr. Lloyd George's proposals, whatever they might prove to be, would merely proclaim the bankruptcy of Cobdenite finance, and that the heavier the burden of direct taxation the more inclined would England be to resort to their panacea of Protection. The situation, in short, when Mr. Lloyd George rose on April 29th to unfold his Budget, was as replete as it well could be with all the elements of national, party and personal interest.

In the event Mr. Lloyd George produced a bold and momentous Budget and made a bad speech. He spoke too long—he was on his feet for four hours and a quarter—and a great deal of what he had to say took the form of a series of essays or manifestoes on the future policy of the Government. Except that they showed the unescapable connection between finance and social reform, these essays or manifestoes, which their author read off at breakneck speed, were not very relevant, were decidedly wearisome, and ended by obscuring Mr. Lloyd George's proposals in a mist of words. Even now, nearly a week after the speech, a great deal of uncertainty exists as to the details of the Chancellor's scheme, and Mr. Balfour who criticised it very skilfully and effectively on May 3rd had to confess that he was speaking from an inevitable half-knowledge. But the broad principles and aims of the Budget may at least be disentangled. First of all, Mr. Lloyd George largely extended the system of graduation in the Income Tax. For the future all earned incomes

below \$10,000 will pay as now at the rate of three and one-half cents on the dollar; but the rate on earned incomes above \$10,000 and on all unearned income will be raised from five cents to six cents. In the case of incomes above \$25,000 there will be a super-tax of two and one-half cents on the dollar on such portion of the income as exceeds \$15,000. At the same time, there will be an abatement of \$50 per child for all children under sixteen on incomes below \$2,500. Secondly, Mr. Lloyd George established a scale of License Duties which, for the first time, will make licensed premises pay in proportion to the real value of the monopoly given them by the State, and from this source he expects to obtain \$13,000,000. Thirdly, he raised the Death Duties. In future an estate of over \$25,000 will pay four per cent.; over \$50,000, five per cent.; over \$100,000, six per cent., and so on, till estates of over \$5,000,000 pay fifteen per cent. Fourthly, Mr. Lloyd George imposed an extra ninety-four cents per gallon on spirits and an extra sixteen cents per pound on unmanufactured tobacco. Fifthly, he increased the settlement, legacy and succession duties. Sixthly, he hopes to raise over \$3,000,000 by adding to the stamp duties on transfer or sale of property, on bonds to bearer and on transactions in shares. Seventhly, he taxed motor-cars at rates varying from \$10.50 on a car under six horse-power to \$300 on cars above sixty horse-power and imposed a duty of six cents a gallon on petrol. The proceeds of these two taxes, however, are to be devoted, under national authority, to repairing, extending and improving the road system of the country. Eighthly, Mr. Lloyd George clapped a tax of twenty per cent. on the unearned increment of land and a tax of one-fifth of a cent on the dollar on the capital value of undeveloped land and on undeveloped mining rights. Ninthly, the old sinking-fund, by which any surplus of revenue over expenditure went to reduce the Debt, is now to be added to a fund for agricultural development. Tenthly, the fixed sum set apart for meeting the interest on the Debt is to be reduced by \$15,000,000 a year.

Unquestionably this is a very remarkable, courageous and contentious Budget. It is destined, like Sir W. Harcourt's Budget of 1894, the Budget that reorganized the Death Duties on their present basis, to mark an epoch in British finance. In its high license duties and its graduated dealings with the income tax it expands principles that were already a part, but an undeveloped

part, of the British fiscal system. In its assertion of the right of the State to share in the landlord's unearned increment, and in its taxation, tentative as it is, of land values, it introduces, for the first time, principles long advocated by reformers, but never until now endorsed by any Chancellor of the Exchequer. It is emphatically a Free-Trade Budget; every penny it produces goes into the Treasury. It is not less emphatically a democratic Budget. It places the heaviest burden on the shoulders best capable of bearing it. It spares the necessities of life and taxes the luxuries and the superfluities. It does not exempt the poor, but it touches them only in their indulgences, their whiskey and tobacco. A hostile critic summed it up as a Budget that encourages birth, discourages death and makes life intolerable in between. It is certainly a Budget that makes the rich man disgorge effectively. It will be violently opposed by the Unionists, by the brewers, by the Irish members (whose opposition, however, is confined to the extra tax on spirits), by the City men, by motorists, by all landowners, and by most of the well-to-do. It ought, on the other hand, to be popular with the great majority of the middle class whose incomes are less than \$10,000 a year, and it is, I think, certain to be popular with the masses of the people. Nevertheless, it is an extremely complicated Budget, and arouses antagonism among a multitude of formidable interests. Already it is clear that an agitation is to be set on foot against it as a "Socialistic" experiment. I think it probable that as time goes on some of its provisions will have to be dropped and others simplified; and I am very confident that only skilful piloting will avail to steer it through Parliament. The House of Lords is already being urged to reject it, the Lords will have sense enough not to heed such suicidal advice. The Tariff Reformers are exhausting their vocabulary in abusing it, but in their heart of hearts, I fancy, they must recognize that it has fairly "dished" them. For the outstanding feature of the Budget is that it taps new sources of revenue which are bound to prove enormously and increasingly productive in the near future, if not at once, and that it must therefore be judged not merely for what it is, a potent instrument for social reform and a provision for the needs of the coming year, but as a scheme for meeting the requirements of many years to come so amply that it will render Protection superfluous.

PARIS, May, 1909.

FRANCE has not yet recovered from the bewilderment and panic caused by the postal strike. The sensational disclosures concerning the Navy which we daily read in the papers, and which, in other circumstances, would create a tremendous sensation, pass almost unnoticed. For once the chronology of events happens to be logical: certainly the latent reconstruction of a country by such deep and active influences as those which we have just seen at work is of wider import than even a long chain of errors and the wasting of billions where the national defence is at stake.

The postal strike is the most startling, but not, by any means, the most important episode of the evolution known as the Labor Movement. The public, no matter how enlightened, takes little interest in those low-life technicalities. They are dry reading, both wearisome and disquieting, and, somehow, always manage to look unreal. The ridiculous failure of the attempt at a general strike on May 1st, 1906, confirmed practically the whole country in a serene disbelief of any real danger from working-men's conspiracies. The birth of the federation of trades-unions' councils known as the C. G. T. (*Confédération Générale du Travail*), with the preparation of the General Strike as its avowed object, was certainly pointed out as the appearance of a most dangerous power, but even the Government declined to fight it in its cradle. Every now and then some disturbance of an exceptionally shocking character, for instance, the bloody scenes at Draveil or the Electricians' Strike (in the winter of 1907), would elicit a transient outcry against the anarchists at its head; but the revelation of it as a counterpart of the State within the State did not come home to the majority even of Deputies, and the attention given to its rapid progress remained almost exclusively academic. We must say that the mass of literature, mostly, of course, from the pens of jurists on the subject, is enormous and ought to have arrested even the casual observer; but things have only two ways of forcing themselves on general attention in this country, literature or catastrophic suddenness, and the publication of an article in the "*Correspondant*" on the remarkable socialist, George Sorel, only came two or three months before the postal strike. Even this did not at first shock the Parisians very much. Never was the good-humored levity of the national disposition better illustrated than during that blank empty week. Amuse-

ment was the dominant note; it was amusing to see soldiers sorting letters which nobody delivered, amusing not to hear any news, and amusing to see popular men with evidently the right on their side coolly refusing to negotiate with the very unpopular country doctor, their chief or martinet; there was little surprise when, on the second or third day, the Marquis de Montebello, President of the League of Telephone Subscribers, brought encouragement and money to the rebels, and the protest in commercial circles was at no moment very strong. It was only towards the end of the strike that Pauron, the ringleader of the postal linemen, whispered to eight thousand men,—so breathless and silent that not one syllable was lost,—the communication made to him by the famous Pataud to the effect that in case of the least resistance on the part of the Government he would stop the electric light in Paris, as he had on two previous occasions, and arrange for an immediate strike on the State railways.

In any other circumstances this might have been thought brag, but the atmosphere being what it was, everybody felt that the electrician was like the madman with a lighted pipe near a barrel of powder, and terror was deep and universal. From that minute the C. G. T. became as familiar a bugbear as it had seemed chimerical. One realized that the General X whom the royalists are incessantly praying for is actually present among us, but in the guise of an unknown workman at the Bourse du Travail, and the common feeling at the end of a few hours was a passive admission of the reality of the danger with an expectation of catastrophe as unreasoned as the denial of its possibility was premature. In a few days you might read in such a paper as "*l'Eclair*" a statement on the necessity of giving the union a share in the Government and legislation. It is needless to speak of the triumph of the Socialist papers. The accession of the postal men, so far regarded rather as a *bourgeois* association, was an unhopèd-for success opening up wonderful prospects. Clearly this tremendous bound forward of the power of association has been a revelation as well for those who welcome as for those who lament it. There is no exaggeration in saying that the light in which public events will henceforward be seen is entirely new.

Nobody has lost so much in this reversion of standpoint as the would-be tyrant whose fast increasing unpopularity I noticed

in my last letter, viz., the Chamber. The foreign press naturally insisted on the defeat of Government by the strikers, but this was an error of perspective almost unavoidable by people used to personal government of some sort. In France, where the feeling has been for thirty years—since the fall of Marshal MacMahon—that the Chamber is the only ruler, Clemenceau appeared, no doubt, in a false position, but the Chamber looked decidedly more beaten and ridiculous withal. Some independent deputies—M. de Mun, for instance—who had long warned Parliament against a crisis of this kind, took a mischievous pleasure in describing their colleagues' alarm and scandalized amazement. But the Parliamentary reports were sufficient to impress even outsiders with the crestfallen attitude of the majority. The questions put to M. Clemenceau and M. Barthou, even from the Socialist benches, were so destitute of urgency that they sounded like schoolboys' lessons. If the Government had been the routed party the Chamber would have overthrown them at a minute's notice, as they have done forty times before—remember especially M. Delcassé's shameful dismissal—but the Government never was so strong in Parliament as when its power was only a name. The deputies felt that this was no time for joking.

There was something unspeakably funny in the old appeal from the advanced press, like the "*Rappel*" and the "*Lanterne*," to the "republican feeling" of men who only meant business and expressed absolute contempt for empty words. We could see on the occasion of a meeting at the Sociétés Savantes, on April 2nd, what had become of the so-called "republican discipline"—i. e., subordination to a superannuated political creed. A few deputies, MM. Steeg, Reinach, Buisson, Paul Boncour, etc., one or two of whom have honestly tried to raise Parliament above purely verbal politics, had taken seats on the platform and expected a cordial welcome from the audience. They were hooted down in a few minutes as belonging to a body decidedly regarded as a pack of lying *bourgeois*. Two days later, at another large meeting of nine thousand men at the Hippodrome, a State servant, M. Janvion, was perfectly explicit. One or two pithy sentences of which he delivered himself are likely to remain historical. "We are told that we are endangering the Republic. Indeed! The anti-republican reaction concerns us very little. We know only one class of opponents: not the *réactionnaires* (the



anti-republican opposition), but the *actionnaires* (shareholders). This Republic is only a caricature of monarchy, and we do not care for the Government which rules us: we have two Bastilles to take by storm; first Parliament and afterwards the State."

Addressing the same meeting, Pataud proposed the formation of a committee of twelve from various unions of officials, in imitation of the Electricians' permanent strike committee, so as to secure an effective preparation for a strike on a larger scale than that of the postmen, and his motion was adopted with unanimous applause.

The fact that even M. Clemenceau shrinks from having the C. G. T.—where this committee will find its natural home—dissolved, and a supremely dangerous revolutionist, like Pataud, arrested, shows the gravity of the situation. Two powers are in evidence: the working classes represented by the C. G. T. and the *bourgeois* classes represented by the Chamber, and their fighting ground is to-day perfectly definite. The old fallacy of one France united in common devotion to one republican ideal is exploded. Two interests are face to face and will not be reconciled by fine speeches or by such shams as the Income Tax Bill. The proletariat has organized itself privately, and has to be both legally organized and checked, or the rickety frame of our Society goes to pieces.

As a matter of fact, the Government looking to the more immediate danger are preparing a Bill defining the status of State servants, which will come under discussion in a few days, and will, it is hoped, remove at least the danger of another postal strike.

The question is: Is it not too late to tame into obedience men who have just become terribly conscious of their strength? Very naturally the Socialist press and very stupidly the opposition papers say that things are past recovery. Without prophesying let us see at least how matters stand.

I have not the space for a description of the "Syndicalist" organization at large, which, moreover, I have sketched in a previous letter. I must limit myself to the trades-union movement among officials. But the reader should bear in mind that French trades-unionism is distinctly revolutionary, that is to say, that the peaceful and conservative spirit which it often possesses in England, America and Germany only exists in this

country in a federation or two, that a "syndicate" is practically always directed *against* somebody or something, and that the whole syndicalist movement has been slowly evolved from the *bourgeois* doctrines of Socialism or collectivism, by working-men who understand it thoroughly, and will not let any outsider—were it Jaurès himself—interfere with it. Consequently when we speak of the progress of trades-unionism among State servants, we mean a powerful reaction against the centralizing spirit of the third Republic and not only a striving after corporate aggregation.

This was not recognized from the first. It is a curious fact that the first trades-unions formed by officials—those of the *cantonniers*, inferior postal agents, and arsenal workmen—were encouraged by the Government.

But this attitude dates from 1902, when M. Combes was in office, and when internal disturbances were, thanks to the Bloc, regarded as quite as impossible as a European war, and the sanguine Ministers were those cheerful subverters, M. Pelletan and General André.

However, even in those palmy days there was no unanimity in the Government on the subject, and M. Dubief, the then Minister of Public Works, obtained a decision from the Council of State against a union of sewer-men. Two years later M. Rouvier prophesied what the result of the corporate movement among the postmen would be in terms which to-day appear of startling accuracy.

Instead of wavering between tolerance, prohibition and prophecy of evils, the Government would have been wise to pass a law against the spoils system scandalously flourishing in Parliament. A clear, legal text securing officials against the interference of deputies in local nominations and promotion would certainly have made such an unheard-of rebellion as the postal strike impossible. But the Chamber could not muster up courage to undertake its own reformation, and a policy of ashamed distrust of the unions only drove them faster in the direction of the C. G. T. Numberless "friendly societies" were founded (under the Act of 1901 on Associations, which is much more liberal than that of 1884 on trades-unions), especially among elementary school-teachers and postmen, and the members of these societies managed in many cases to get affiliated to the Trades-Unions' Councils. This

process is no doubt very illegal, but admission into the *Bourses du Travail* gives them a show of right to enjoy the benefit of the Act of 1884 and to claim the right of striking, which is the supreme object of their ambition. At the present moment the wave carrying Labor towards syndicalism can be said to be universal, and the tendency, among officials as well as in private industries, is in the direction of an arrangement enabling them—as the postmen very candidly said the other day—to treat on a footing of equality with the Ministers who employ them. This means nothing if not using the right of striking whenever they think themselves ill used. And this is what recent events have shown to be unbearable.

The solution propounded by the Government is a law defining the rights and duties of officials and putting an end to the wrongs they justly complained of. There is no mention in the text of affiliation to the trades-unions, and striking is an impossibility, but to an unbiased mind this limitation is a *prima facie* necessity.

The question is whether the postmen and teachers will see the law in this light. The leaders of the C. G. T. point out to them that this charter of their rights in reality binds them hand and foot, and now that they have tasted the pleasure of being revolutionists and no longer servants they will think that the argument has some weight. But the *bourgeois* element in them is strong, too; and an interview with the President of their Reading Committee, M. Demartial, shows that they still realize the stability and advantages of all sorts of their situation. The probability is that the postal clerks will affect to regard the law as a victory and rest satisfied in their offices, while the linemen, for instance, and generally the inferior agents, will grumble and try to dodge the law by individually joining trades-unions akin to their own.

This state of things leaves the syndicalist question where it was, and the C. G. T. remains a permanent danger; but the risk of another postal strike will be removed, or at least limited to the mechanics employed on the lines. Is this a small or a considerable gain? In spite of the prevalent terror, and of the ominous statements in the press, it seems to me that the commotion created by the strike enables us to appreciate the comparative security.

WASHINGTON, *May, 1909.*

THE Payne Tariff Bill, when it passed the House, was very far from satisfying those who during the campaign had demanded or promised a downward revision of the Dingley tariff. Such a thing, indeed, as a revision upward was never heard of at that time. It is important to keep in view the fact that the Payne Bill itself represents a glaring breach of faith, because, should the Aldrich Bill as it passes the Senate prove even more disappointing—which is almost certain to be the case—the utmost to be hoped for is that the Committee of Conference will restore the provisions of the Payne project. The conferees can do no more, they can adopt no innovations. Contrary to a current impression, the members of that committee are restricted by law to a choice between the wishes of the Senate and the wishes of the House, as these are embodied in the tariff bills emanating from those bodies, respectively.

Not in all, but in some very important, respects the duties levied by the Senate are heavier than those which were imposed by the House. To take a striking example, the Finance Committee of the Senate saw fit to assess iron ore at twenty-five cents a ton, and this proposal was adopted by the Senate on May 13th. Under the present (Dingley) law, iron ore is assessed at forty cents a ton, but the Payne Bill placed it on the free list. The assessment of iron ore at twenty-five cents a ton is a serious blow to the downward revisionists, because it implies that all the products of the raw material are also to be heavily burdened. In other words, the evidence given by Mr. Carnegie and other experts in steel manufacture is to be disregarded by the Senate. It cannot be pretended that the Senate imposed a duty of twenty-five cents a ton on iron ore for the sake of the addition it would make to the customs revenue; as a matter of fact, the whole estimated revenue from iron ore—the Cuban product which comes in under a reciprocity treaty being left out—is only \$127,000.

It is true, on the other hand, that in some particulars the Senate has reduced the duties levied by the Payne Bill. Hosiery is an example. This commodity pays under the Dingley law a revenue of \$4,000,000 annually. The Payne Bill raises the duty from sixty-five per cent. to eighty-five per cent., and the Senate cuts it down to the existing sixty-five per cent. It appears that as to the cheap grade of stockings (those that sell for five, ten

and fifteen cents per pair), the domestic manufacturers now have the American market to themselves, the duty making it impossible for the foreigner to compete. The same thing is true of silk stockings and cashmere hosiery of fine grades. On the stocking, however, that now sells for twenty-five, thirty-five and fifty cents per pair, the Dingley law, with its duty of sixty-five per cent., has enabled the foreigner to compete, with the result that the consumer has got a good stocking and the American manufacturer has been forced to keep his business up to date—the proof of which is to be found in the fact that even during the recent panic the hosiery manufacturing business of the United States showed a large profit. We repeat that the Government also received an annual customs income of about \$4,000,000 from imported hosiery of the grades in question. Should the duty be raised, however, to eighty-five per cent., the Government will obtain no revenue whatever from these grades of hosiery.

It is a memorable fact that, when the Senate Finance Committee's amendment placing a duty of twenty-five cents per ton on iron ore came to a vote, no fewer than eighteen Democrats voted in the affirmative and only ten Democrats in the negative. This extraordinary action, on the part of so many Democrats, was ascribed by some newspapers to brief speeches by Senators Bailey, Money and Daniel in which they maintained that, as it was necessary to impose duties on some articles in order to obtain sufficient revenue for the Government, iron ore was one of the imports which properly might be taxed. As we have already pointed out, there is absolutely no basis for the selection of iron ore with a view to the replenishment of revenue, since the whole income expected from the duty imposed on this commodity falls short of \$130,000. The New York "Evening Post" puts its finger on the truth when it says that the reason why eighteen professed Democratic Senators voted to put a duty of twenty-five cents on iron ore is because no such thing as a Democratic party exists. With brains and principles both out of it, why should it pretend to be alive any longer. The eighteen Democratic Senators evidently forgot that free iron ore was one of the cardinal features of the Wilson Bill, as it passed the House in 1894. While the iron and steel schedule was under debate in the House, two proposals were made to put a duty on iron ore, but both were voted down. The duty was put back, however, by the Senate in

1894, as it was on May 13, 1909; but this was one of the things which President Cleveland had in mind when he denounced the changes made in the Wilson Bill by the Senate as "a work of perfidy and dishonor."

From a colloquy which took place between Senator Bailey and Senator Aldrich in the week ending May 15th, we infer that a vote on the proposed income-tax amendment of the Payne Bill will be reached at any moment. Can such an amendment be passed? The passage would require the votes of all the Democratic Senators and of at least fourteen Republican Senators. A belief is current that at least one Democratic Senator will be found voting in the negative, and not much confidence is expressed in the staunchness of all the fourteen Republican Senators credited to the insurgent list.

To sum up, it is already patent that those who had hoped for a sweeping revision of the Dingley law downward are bound to be disappointed. It is not for a moment to be expected that the Conference Committee will produce a measure made up of all the merits of the Payne Bill *plus* all the merits (if any) of the Aldrich Bill. The chances are that the outcome of the conference will be something decidedly inferior to the Payne Bill, which itself, viewed by and large, is by no means an improvement on the Dingley law.

How is President Taft likely to deal with such a measure? Will he veto it, or will he let it become a law while expressing his personal disapproval of it, as President Cleveland did in the case of the Wilson Bill after it had been emasculated by Mr. Gorman in the Senate? In Washington not one man in a hundred believes that Mr. Taft will withhold his signature.